



# Hospitality M&A amidst CoViD times

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**Online/Webex**



# Speakers



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# Agenda

Overview COVID-19 & Hospitality In Vietnam

Types of Investment & Investors

Considerations for Prospective Investors

Deals Under Negotiation

Better Positioning For Deals

Types of Investment & Investors

Q&A



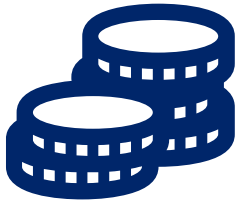
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## Overview COVID-19 & Hospitality in Vietnam



# Hospitality during COVID-19



## Decrease in Valuation

- Hotel valuations have dropped up to 30%
- Purchase price dropped from 12 fold of EBITDA to 8 fold
- Low occupancy rate has heavily impacted the hotels' cash flows



## Buyers' Market

- M&A deals in hotels and resorts; diverse and in all different segments
- Investments prevalent in 4-5 star city hotels near tourist destinations and beaches



## Recovery Potential

- Vietnam less than 400 confirmed cases and **no deaths**
- "Safe haven tourism" branding
- Domestic tourism on the rise (approx. 75% of total)
- Plans to open borders in the near future to countries with no new cases



## Government Assistance

- Government relief measures
- Government clarification of laws relating to tourism and ownership - e.g. condotels

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## Types of Investment



# OPPORTUNITIES



**Acquisition – Equity or Assets**



**Funding - Investments**



**Joint Venture & Partnerships**



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## Types of Investors





# PROSPECTIVE INVESTORS



**Cash rich buyers** – pursue opportunistic acquisitions



**Acquire complementary assets/businesses** – increase synergy



**Acquire competitor**

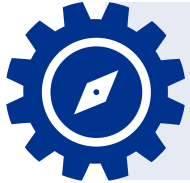
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## Considerations for Prospective Investors



# Market Intelligence



**Positioning on the market**



**Knowing your client-base**



**Condition of assets; possibility of improvements e.g. more rooms or facilities**



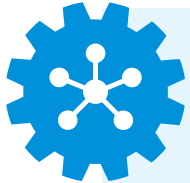
**Value Proposition**



# Anti-Trust Compliance



**National Competition Committee Notification**



**Economic Concentration – to include mergers, consolidations, acquisitions and joint ventures**



**Anti-Trust clearance approval – now includes deal size, total asset value, purchase/revenue, etc.**

# Pre-negotiation considerations



**Hotel Management Agreement**



**Employment Contracts**



**Supplier and Service Contracts**



**Data Ownership**



**Company Documents – Articles of Association, SHA/JVA and LUR of Assets**

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## Deals Under Negotiation





# Deals Under Negotiation



**Speed contingent on party's appetite to continue with the deal, need to conserve cash;**



**Quality of transaction – hospitality an impacted sector**



**Vendor's due diligence findings**



**Reassess forecasts scenarios**



**Revisiting valuation expectations**

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## Better Positioning for Deals



# Critical Areas for Buyers to Better Position for Deals



**Appoint the Right Legal and Financial Support Early**



**Financing and Liquidity**



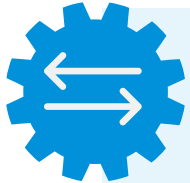
**Deal Strategy**



# Critical Areas for Buyers to Better Position for Deals



**Consideration**



**Transaction Fundamentals**



**Timelines for Completion**

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## Contractual Provisions – What Rights to Seek?



# Contractual Provisions to Consider - What rights to seek?



## Condition Precedents

- Extended timeline
- Financing arrangement



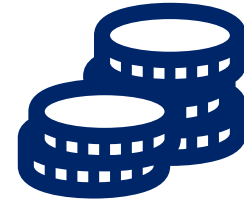
## Representations and warranties

- R&W Indemnities
- Disclosure schedules



## Material adverse change (MAC) clauses

- Nuanced conversations



## Earnout mechanisms

- Feasibility of target's projected fiscal year earnings
- Buyer looking for additional closing conditions, rescission rights to manage risk of continued downward trend

# Contractual Provisions to Consider – What rights to seek?



## Sellers looking to de-risk transaction

Preference for

- cash buyers
- acquirers with minimum merger control
- strategic investment
- shareholders approvals



## Regulatory changes

- Unclear if Vietnam authorities will impose tighter restrictions on acquisition by foreign buyers.
- However, current talks look promising



## Long stop dates

- Ability to extend long stop date to allow for financing arrangements
- Impact if downtrend continues



## Post merger integration

- Consider how travel bans will impact effective post merger integration for cross border deals.





# Thank you



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